



# Nebraska Partnership Return of Income

for the calendar year January 1, 1999 through December 31, 1999  
or other taxable year

FORM 1065N ▲

1999

beginning

19

and ending

,

PLEASE DO NOT WRITE IN THIS SPACE

Name

Street or Other Mailing Address

City

State

Zip Code

Nebraska Identification Number

Federal Identification Number

25 —

Business Class. Code (New Codes – See Instr.)

Date Business Began in Nebraska

Does this partnership have partners who are corporations or nonresidents of Nebraska?

☐ YES

☐ NO

Type of Organization

☐ Partnership

☐ Limited Liability Company

☐ Electing Large Partnership

☐ Other

Check applicable box(es):

(1) ☐ Initial Return

(2) ☐ Final Return

(3) ☐ Change in Address

(4) ☐ Amended Return

1 Ordinary income (line 22, Federal Form 1065) .....

1

\$

2 Nebraska adjustments increasing ordinary income (line 8, Schedule II) .....

2

3 Line 1 plus line 2 .....

3

4 Nebraska adjustments decreasing ordinary income (line 19, Schedule II) .....

4

5 Nebraska adjusted income (line 3 minus line 4; Electing Large Partnerships enter line 10, Nebraska Schedule ELP) .....

5

6 Income reported to Nebraska (line 5 above or line 3, Schedule I, if applicable) .....

6

If line 6 shows a loss, omit lines 7 through 14.

7 Percent of ownership by nonresident individual partners (see instructions) ...

7

%

8 Percent of ownership by nonresident individual partners for whom Nebraska Nonresident Income Tax Agreements, Forms 12N, are attached ...

8

%

9 Percent of income subject to withholding (line 7 minus line 8) .....

9

%

10 Line 6 multiplied by line 9 .....

10

\$

11 Nebraska income tax withheld for nonresident partners (line 10 multiplied by .0668) .....

11

12 Prior payments .....

12

13 TAX DUE if line 11 is greater than line 12 (line 11 minus line 12) .....

13

\$

14 Overpayment to be REFUNDED if line 12 is greater than line 11 (line 12 minus line 11) .....

14

Under penalties of perjury, I declare that as taxpayer or preparer I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is correct and complete.

sign  
here

Signature of Partner or Member

Date

Signature of Preparer Other Than Taxpayer

Date

Title

Daytime Phone Number

Address

Daytime Phone Number

A COPY OF THE FEDERAL RETURN AND SUPPORTING SCHEDULES MUST BE ATTACHED TO THIS RETURN

Mail this return and payment to: NEBRASKA DEPARTMENT OF REVENUE, P.O. BOX 94818, LINCOLN, NEBRASKA 68509-4818



**PARTNERSHIP WITH NONRESIDENT OR CORPORATE PARTNERS**  
**NEBRASKA SCHEDULE I— Apportionment of Income**  
**NEBRASKA SCHEDULE ELP — Income Reported to Partners by Electing Large Partnership**  
•If you use this schedule, read instructions

FORM  
**1065N**

Name as Shown on Form 1065N

Nebraska Identification Number  
25 —

**NEBRASKA SCHEDULE I — Apportionment of Income**  
•See instructions

1 Nebraska adjusted income (line 5, Form 1065N) .....	1	
2 Nebraska apportionment factor (line 15 below) .....	2	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>
3 Income apportioned to Nebraska (line 1 multiplied by line 2). Enter here and on line 6, Form 1065N .....	3	

APPORTIONMENT FACTORS	TOTAL	NEBRASKA	NEBRASKA APPORTIONMENT FACTOR
Sales or Gross Receipts			

4 Sales or gross receipts less returns and allowances .....	4		
5 Sales delivered or shipped to purchasers in Nebraska:			
a Shipped from outside Nebraska .....	5 a		
b Shipped from within Nebraska .....	5 b		
6 Sales shipped from Nebraska to the U.S. government .....	6		
7 Ordinary income (loss) from other partnerships, etc. ....	7		
8 Interest on sales of tangible property .....	8		
9 Gross rents .....	9		
10 Net farm profit (loss) .....	10		
11 Net gain on sales of intangible property .....	11		
12 Gross receipts from sales of tangible personal and real property not included above .....	12		
13 Other income (attach schedule) .....	13		
14 TOTAL SALES OR GROSS RECEIPTS .....	14		
15 Nebraska apportionment factor (divide line 14, NEBRASKA column, by line 14, TOTAL column, calculate to five decimal places and round to four). Enter here and on line 2 above .....	15	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	

**NEBRASKA SCHEDULE ELP — Income Reported to Partners by Electing Large Partnership Filing Federal Form 1065-B**  
•See instructions

1 Taxable income (loss) from passive activities .....	1	
2 Taxable income (loss) from other activities .....	2	
3 Net capital gain (loss) from passive activities .....	3	
4 Net capital gain (loss) from other activities .....	4	
5 Guaranteed payments .....	5	
6 Income from discharge of indebtedness .....	6	
7 Add: Tax exempt state and local bond interest (from non-Nebraska sources) .....	7	
8 Subtract: Income from U.S. government obligations (see instructions) .....	8	
9 Other (attach schedule) .....	9	
10 Total of lines 1 through 9 (enter here and on line 5, Form 1065N) .....	10	



**PARTNERSHIP WITH OTHER INCOME AND DEDUCTIONS**  
**NEBRASKA SCHEDULE II — Adjustments to Ordinary Income**

• Read instructions  
• Enter amounts from Schedule K, Federal Form 1065

FORM  
**1065N** ▲

Name as Shown on Form 1065N

Nebraska Identification Number

25 —

ADJUSTMENTS INCREASING ORDINARY INCOME		TOTAL
1 Net income from rental real estate activities .....	1	
2 Net income from other rental activities .....	2	
3 Portfolio income:		
a Interest income .....	3a	
b Dividend income .....	3b	
c Royalty income .....	3c	
d Net short-term capital gain .....	3d	
e Net long-term capital gain .....	3e	
f Other portfolio income .....	3f	
4 Guaranteed payments to partners .....	4	
5 Net gain under Section 1231 .....	5	
6 Non-Nebraska state and local bond interest income (see instructions) .....	6	
7 Other (attach schedule) .....	7	
8 TOTAL adjustments increasing ordinary income (total of lines 1 through 7). Enter here and on line 2, Form 1065N .....	8	
ADJUSTMENTS DECREASING ORDINARY INCOME		TOTAL
9 Income from U.S. government obligations (see instructions) .....	9	
10 Net loss from rental real estate activities .....	10	
11 Net loss from other rental activities .....	11	
12 Portfolio loss:		
a Net short-term capital loss .....	12a	
b Net long-term capital loss .....	12b	
c Other portfolio loss .....	12c	
13 Net loss under Section 1231 .....	13	
14 Other loss not included in lines 9 through 13 .....	14	
15 Charitable contributions .....	15	
16 Section 179 expense deduction .....	16	
17 Deductions related to portfolio income .....	17	
18 Other (attach schedule) .....	18	
19 TOTAL adjustments decreasing ordinary income (total of lines 9 through 18). Enter here and on line 4, Form 1065N .....	19	



NEBRASKA SCHEDULE III — Nonresident or Corporate Partner's Share of  
Nebraska Income and Deductions

• If you use this schedule, read instructions and attach this page to Form 1065N

FORM  
1065N ▲

Name as Shown on Form 1065N

Nebraska Identification Number

25 —

NAME AND ADDRESS OF EACH NONRESIDENT OR CORPORATE PARTNER

Name	Street or Other Mailing Address	City	State	Zip Code
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

COMPLETED FOR NONRESIDENT INDIVIDUAL PARTNERS ONLY  
• Do not include corporations, trusts, partnerships, or limited liability companies

(A) Social Security Number	(B) Share of Income (%)	(C) Nebraska Taxable Income Reported by Partnership (Line 6, Form 1065N)	(D) Check if Form 12N Attached	COMPUTATION OF NEBRASKA WITHHOLDING TAX		
				(E) Column B Times Column C	(F) Rate	(G) Tax Withheld (Column E times Column F) (Attach Form 14N)
1					6.68%	
2					6.68%	
3					6.68%	
4					6.68%	
5					6.68%	
6					6.68%	
7					6.68%	
8					6.68%	
9					6.68%	
10					6.68%	
TOTALS						

# 1999 Nebraska Partnership Return of Income

## INSTRUCTIONS

A Nebraska Partnership Return of Income, Form 1065N, is NOT required when all the partners are Nebraska individual residents AND all the partnership income is from Nebraska. The partners report their share of the partnership income on their Nebraska income tax returns.

### REMINDER FOR 1999

Electing large partnerships filing Federal Form 1065-B must complete Nebraska Schedule ELP in order to complete line 5 of Nebraska Form 1065N. This change came about due to federal legislation passed last year which provided simplified means of reporting income of an electing large partnership to its partners. See Nebraska Schedule ELP following Nebraska Schedule I in the instructions for more information.

**PARTNERSHIP DEFINED.** The term “partnership” includes a limited partnership, electing large partnership, limited liability company, syndicate, group, pool, joint venture, or other unincorporated organization, through or by means of which any business, financial operation, or venture is carried on, and which is not, within the meaning of the Internal Revenue Code, a corporation, trust, estate, or sole proprietorship. **For the remainder of these instructions, the term “partner” means a member of a partnership or a member of a limited liability company.**

**WHO MUST FILE.** The Nebraska Partnership Return of Income, Form 1065N, must be completed by every partnership, unless all partners are residents of Nebraska and all income is derived from Nebraska sources. Form 1065N must also be filed by a limited liability company deriving income from Nebraska sources.

A limited partnership conducting business entirely outside this state which has Nebraska resident partners, none of whom are general partners charged with the management responsibility of the partnership, is not required to file Form 1065N.

Only one return is required to be filed for each partnership. If copies of the form are furnished to each partner, they should be clearly identified as “Duplicate” or “Copy.”

**WHEN AND WHERE TO FILE.** This return must be filed on or before the 15th day of the fourth month following the close of the taxable year. The return must be filed with the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818.

**PERIOD TO BE COVERED BY RETURN.** This return must be filed for the calendar year 1999, or a fiscal year beginning in 1999. A partnership filing for a fiscal year or filing a short-period return must enter the beginning and ending dates of the taxable year in the space provided at the top of the return. The taxable year for Nebraska purposes must be the same as the year used for federal income tax purposes. If the partnership changes its federal taxable year, it must change its Nebraska taxable year accordingly. A copy of the approval from the Internal Revenue Service to change accounting periods must accompany the first return that reflects the change. Check the box “Final Return” at the top of the return if the partnership ceased to exist during the 1999 tax year.

**EXTENSION OF TIME.** It is not necessary to request a Nebraska extension of time when the partnership has been granted an extension of time to file the federal return. The

Nebraska Department of Revenue will accept an approved federal extension of time, provided a copy of the approval is attached to the Nebraska return when filed.

An extension of time to file may be obtained from the Nebraska Department of Revenue even though you do not request an extension of time in which to file the federal return. The extension must be requested on Nebraska Application for Extension of Time to File, Form 2688N, on or before the due date of the return.

**NONRESIDENT PARTNER WITHHOLDING.** A nonresident individual partner should forward a completed Nebraska Nonresident Income Tax Agreement, Form 12N, to the partnership before the original filing of the Nebraska Partnership Return of Income, Form 1065N. The completed Form 12N is an agreement by the nonresident individual partner to file a Nebraska individual income tax return. When the Form 12N is filed by the partner and attached to the Form 1065N, the partnership is not required to withhold Nebraska income tax from the nonresident individual partner. Corporations and other entities that are partners are not subject to withholding and do not file Forms 12N.

The partnership is required to withhold Nebraska income tax from each nonresident **individual** partner for whom a completed Form 12N is not attached. The amount to be withheld is 6.68 percent of the nonresident partner’s share of income which was derived from or attributed to sources within Nebraska. The partnership must report the amount withheld from each nonresident partner on the Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. Attach the white copy of each Form 14N to the partnership return.

The nonresident individual partner may claim the amount withheld as a credit against his or her Nebraska income tax liability by attaching a copy of the Form 14N to the Nebraska Individual Income Tax Return, Form 1040N.

**Nonresident individual partners do not have to file a return** if their only connection with the state is conduct of the business activities of the partnership, and the partnership has withheld tax from all the Nebraska income attributable to the nonresident’s share of the organization’s income. The full amount of the withholding is, at the taxpayer’s option, retained in lieu of the filing of an individual income tax return. Any nonresident who so desires can still file a Form 1040N and claim a refund if one is due. Any nonresident who files Form 12N to avoid withholding must file Form 1040N.

**PAYMENT OF TAX WITHHELD.** The entire tax withheld from the nonresident partners is required to be paid on or before the original due date of the return. Make check or money order payable to the Nebraska Department of Revenue. Write the Nebraska identification number and tax year on the face of the remittance. An extension of time to file Form 1065N does not extend the date for payment of tax.

**PENALTIES AND INTEREST.** Penalties may be imposed for failure to file a complete return, failure to file a timely

return, or failure to file an amended return when required. Any unpaid tax is subject to the statutory interest rate from the original due date to the date the tax is paid.

**AMOUNTS INCLUDED IN THE RETURN OF THE PARTNER.** A resident partner, except for a resident member of a limited liability company, must include in adjusted gross income his or her entire share of the partnership income as computed under the provisions of the Internal Revenue Code. A nonresident or corporate partner or a member of a limited liability company is subject to the Nebraska income tax on their share of the partnership income derived from or attributed to sources within Nebraska.

**REPORT OF NEBRASKA SOURCE INCOME TO PARTNERS.** A partnership must provide all partners with a schedule similar to the Schedule K-1, Federal Form 1065 or 1065-B, listing the amount and type of income or deductions that are to be included in each partner's Nebraska tax return.

The Federal Schedule K-1 may be used for resident partners when the amounts of income from U.S. government obligations and non-Nebraska state and local obligations are also listed.

Federal Schedule K-1 may also be used for nonresident or corporate partners when the amounts of state, local, and government obligations are also listed **and** all income is attributable to Nebraska.

A partnership with income from sources both within and without Nebraska must determine the portion of taxable income subject to tax in Nebraska for nonresident or corporate partners. Each partnership will determine the portion of income subject to tax by either apportionment formula or an approved alternative method. Corporate partners are to refer to Corporate Income Tax Regulation 24-056 for information on calculating their apportionment factors.

In addition, a partnership with one or more corporate partners must provide each corporate partner with a copy of Nebraska Schedule I, Form 1065N.

Any agreement that allocates the Nebraska portion of income or expenses to a particular partner is void for the purpose of determining the income tax due from the partners. When apportioning income, the amount of income or deductions reportable to the partners is the amount on each line of the Federal Schedule K-1 multiplied by the apportionment factor determined on Apportionment of Income, Nebraska Schedule I.

For partnerships using an alternative method to determine income attributable to Nebraska, the amount reportable to the partners will be determined in accordance with the method approved by the State Tax Commissioner.

**Electing large partnerships will complete Schedule ELP in order to calculate income to be reported to nonresident or corporate partners.**

**ACCOUNTING METHODS.** The method of accounting used for federal income tax purposes must be used for Nebraska income tax purposes. A taxpayer may not change the method of accounting used in reporting income in prior years unless the change is approved by the Internal Revenue Service. A copy of this approval must accompany the first return which reflects the change in the method of accounting.

**ROUND TO WHOLE DOLLARS.** Round any amount from 50 cents through 99 cents to the next higher dollar.

Round any amount less than 50 cents to the next lower dollar. The amounts on the return and schedules must be shown in whole dollars.

**FEDERAL RETURN.** A copy of the actual federal return and supporting schedules as filed with the Internal Revenue Service must be attached to this return. Copies of the K-1's may be provided to the department on microfiche.

**CHANGES OR CORRECTIONS IN FEDERAL RETURN OR ANOTHER STATE'S RETURN.** Any partnership whose reported income or deductions are changed or corrected by the Internal Revenue Service, or through renegotiation of a contract with the United States, is required to report the change or correction to the Nebraska Department of Revenue. The report must be made within 90 days of the determination by filing a Nebraska Partnership Return of Income, Form 1065N, and by checking the box "Amended Return" at the top of the return. In addition, any partnership whose reported income or allowed tax credits in another state are changed or corrected by that state, or any other competent authority in a way material to the tax liability owed to Nebraska, is required to report the change or correction within 90 days after it becomes final by filing a Form 1065N, marking the box "Amended Return" at the top of the return.

Any partnership which files an amended return with the Internal Revenue Service, or which filed an amended return with another state involving a change or correction material to its Nebraska tax liability, must file an amended return with the Nebraska Department of Revenue within 90 days of the filing of the amended federal or state return.

Any amended return must be mailed separately from the annual return of the partnership.

**NONHIGHWAY USE MOTOR VEHICLE FUELS.** A partnership licensed to purchase nonhighway use motor vehicle fuels will distribute its qualified gallons to the partners. Computation of qualified gallons and distribution to the partners is done on the Nebraska Nonhighway Use Motor Vehicle Fuels Credit Computation, Form 4136N, which may be obtained from the Nebraska Department of Revenue, and most banks and savings and loan associations. Attach Form 4136N to the return.

A Nebraska Partnership Return of Income, Form 1065N, is **not** required when all the partners are Nebraska resident individuals, **and** all the partnership income is from Nebraska sources, even though the partnership has a Nonhighway Use Motor Fuels Credit to distribute to its partners. The partners will report their share of the partnership income or nonhighway motor fuel credit by filing their own Nebraska income tax return and attaching a copy of the partnership's Form 4136N. For more information, contact Motor Fuels Taxpayer's Assistance toll free at 1-800-554-3835.

**NEBRASKA COMMUNITY DEVELOPMENT ASSISTANCE ACT CREDIT.** This credit is allowable for contributions to approved projects of community betterment organizations recognized by the Nebraska Department of Economic Development. See the instructions on the 1999 Nebraska Community Development Assistance Act Credit Computation, Form CDN, for more information on this credit. Form CDN and the green copy of Form 1099NTC must be attached to the Form 1065N, and a copy provided to each partner. Each partner shall report his or her share of the credit in the same manner and proportion as he or she reports the partnership income.

More detailed information on this credit can be obtained by writing to the Nebraska Department of Economic Development, Community and Rural Development Division, P.O. Box 94666, Lincoln, Nebraska 68509-4666; or by calling (402) 471-2280 or 1-800-426-6505, extension 2280.

**EMPLOYMENT AND INVESTMENT GROWTH CREDIT.** Legislation has created allowable credits designed to encourage additional investment and employment in Nebraska.

More detailed information on these credits can be obtained by contacting the Nebraska Department of Revenue, P.O. Box 94818, Lincoln, Nebraska 68509-4818, or by calling 1-800-742-7474 or in Lincoln 471-5729.

**SIGNATURES.** This return must be signed by a partner. If a partner authorizes another person to sign the return, there must be a power of attorney on file with the Nebraska Department of Revenue.

Any person who is paid for preparing a partnership return must also sign the return as the preparer.

#### **DEFINITIONS.**

1. **Apportionment** means the process of determining the portion of income derived from sources within a state. The entire federal taxable income of a unitary business operating within and without Nebraska is presumed subject to apportionment.
2. **Sales** means the gross receipts of the taxpayer.
3. **State** means any state of the United States, District of Columbia, Commonwealth of Puerto Rico, any territory or possession of the United States, and any foreign country or political subdivision thereof.

#### **SPECIFIC INSTRUCTIONS**

**BUSINESS CLASSIFICATION CODE.** Enter the number from the inside back cover of this booklet that best describes your principal business activity. **This list is new this year. Please review your code carefully.**

**PARTNERSHIPS WITH ONLY NEBRASKA RESIDENT INDIVIDUAL PARTNERS.** Partnerships which only have Nebraska income and Nebraska resident individual partners do not need to file a Nebraska partnership return. Partnerships, except electing large partnerships and limited liability companies, must only complete lines 1 through 6 of Form 1065N and Nebraska Schedule II if their partners are all Nebraska resident individuals. Electing large partnerships which only have Nebraska resident individual partners must only complete lines 5 and 6 of Form 1065N and Nebraska Schedule ELP. Limited liability companies which only have Nebraska resident individual members only need to complete lines 1 through 6 and Nebraska Schedules I and II.

#### **PARTNERSHIPS WITH NONRESIDENT PARTNERS.**

A partnership with nonresident partners must complete lines 1 through 14, and Nonresident or Corporate Partner's Share of Nebraska Income and Deductions, Nebraska Schedule III. If any of the nonresident individual partners do not furnish a Form 12N to the partnership, the partnership must withhold income tax from each of those partners, attach a Form 14N to the Form 1065N, and remit the tax as computed on line 11 of Form 1065N to the Nebraska Department of Revenue.

If the income is derived from sources both within and without Nebraska, complete Nebraska Schedule I before completing lines 7 through 14 and Nebraska Schedule III.

**LINE 1.** Enter the ordinary income or loss as shown on the attached Federal Form 1065. Electing large partnerships will enter zero (0) on lines 1 through 4, and complete Nebraska Schedule ELP in order to complete line 5.

**LINE 5.** Electing large partnerships enter line 10 from Schedule ELP.

**LINE 6.** If all income is derived from sources within Nebraska, enter the amount from line 5, Form 1065N.

Partnerships including electing large partnerships deriving income from sources within and without Nebraska and having nonresident or corporate partners shall enter the amount from line 3, Nebraska Schedule I.

Limited liability companies deriving income from sources within and without Nebraska shall enter the amount from line 3, Nebraska Schedule I.

**LINE 7 THROUGH 14** relate to Nebraska Schedule III and pertain to the percent of ownership by nonresident partners who are individuals. Percent of ownership by other nonresident partners which are corporations or other entities are not included in the withholding tax calculation.

#### **INSTRUCTIONS FOR NEBRASKA SCHEDULE I Apportionment of Income**

Nebraska Schedule I must be completed by all partnerships that derive income from sources both within and without Nebraska and have at least one nonresident or corporate partner. Limited liability companies must complete Nebraska Schedule I when income is derived from sources both within and without Nebraska without regard to the residence of its members. The factor on this schedule must be calculated to five decimal places and rounded to four.

Income apportioned to Nebraska is determined by multiplying the business income of the partnership by the apportionment factor. Nebraska uses a single factor, sales only formula to apportion income.

A partnership using an alternative method of apportionment must attach a copy of the approval of the alternative method and a computation of the apportionment factor. Enter the factor on line 2, Nebraska Schedule I.

**SALES FACTOR.** The sales factor is a fraction. The numerator is the total sales of the partnership in Nebraska during the taxable year; and the denominator is the total sales of the partnership everywhere during the taxable year. Total sales include gross sales of real and tangible personal property less returns and allowances, and all other items of gross receipts. Gross receipts, if substantial in amount, realized from an incidental or occasional sale of a fixed asset used in connection with the partnership's regular trade or business are excluded from the sales factor if the inclusion of such receipts would not fairly reflect the extent of the partnership's business activity in Nebraska.

The following sales are included as Nebraska sales in the sales factor:

1. Sales of property which are delivered or shipped to a purchaser, other than the U.S. government, within Nebraska regardless of the f.o.b. point or other conditions of the sale; and
2. Sales to the U.S. government of property shipped from an office, store, warehouse, factory, or other place of storage in this state.

Sales of other than tangible personal property are in Nebraska if:

1. The income-producing activity is performed in Nebraska; or

2. The income-producing activity is performed both within and without Nebraska and a greater proportion of the income-producing activity is performed in Nebraska during the income year than in any other state, based on cost of performance. The application of this paragraph is limited to those transactions which will result in an equitable apportionment of the partnership's income, e.g., the servicing of industrial equipment. This paragraph does not apply to sales which constitute a principal source of income from the partnership's regular trade or business.

Sales or receipts not specifically assigned by the preceding paragraphs shall be assigned as follows:

1. Gross receipts from the sale, rental, or lease of real property are in Nebraska if the real property is located in Nebraska.
2. Gross receipts from the rental, lease, or licensing of tangible personal property are in Nebraska if the property is in Nebraska. If the property was both within and without Nebraska during the taxable year, then gross receipts attributable to the period, or the percentage of time, the property was used in Nebraska, are considered in Nebraska.
3. Gross receipts from the performance of services are in Nebraska if the services are performed in Nebraska. If such services are performed partly within and partly without Nebraska, a portion of the gross receipts from performance of the services shall be attributed to Nebraska based on the ratio which the direct costs incurred in Nebraska bear to the total direct costs of the services.
4. Gross receipts from interest or service charges arising from the sale of tangible personal property are attributable to Nebraska if the sale is attributed to Nebraska.

**LINE 6, SALES TO THE U.S. GOVERNMENT.** The U.S. government is the purchaser when it makes direct payment to the seller. A sale to the U.S. government of tangible personal property is in Nebraska if it is shipped from an office, store, warehouse, or other place of storage in Nebraska. For other sales made to the U.S. government, use the rules stated above for sales of other than tangible personal property.

**LINE 15, NEBRASKA APPORTIONMENT FACTOR.** To calculate the Nebraska apportionment factor, divide line 14, NEBRASKA column, by line 14, TOTAL column; calculate to five decimal places and round to four.

#### **INSTRUCTIONS FOR NEBRASKA SCHEDULE ELP**

Electing large partnerships complete Nebraska Schedule ELP to compute the amount to report on line 5, Form 1065N, Nebraska Adjusted Income. Use Parts I and II, and Schedule K of Federal Form 1065-B as the source for the income and deductions.

**LINE 7.** Enter all state and local bond interest which is exempt from federal tax and is not issued by Nebraska sources.

**LINE 8.** Enter income from obligations of the United States government exempt from state taxation. See line 9, Nebraska Schedule II instructions for more information.

#### **INSTRUCTIONS FOR NEBRASKA SCHEDULE II Adjustments to Ordinary Income**

Complete Nebraska Schedule II to compute adjustments to federal ordinary income. Use Schedule K, Federal Form 1065, as the source for the amounts of income and deductions.

**LINE 6.** Enter all state and local bond interest which is exempt from federal tax and is not issued by Nebraska sources.

**LINE 7.** Enter any other additions to income for the partnership that are includible in the partner's federal income but are not reflected in lines 1 through 6 above (attach schedule).

**LINE 9.** Enter income from obligations of the U.S. government exempt from state taxation. A listing of those U.S. government securities that are exempt may be obtained by requesting Individual Income Tax Regulation 22-002. Interest income from repurchase agreements involving U.S. government obligations **is not** deductible as U.S. government interest.

**LINE 18.** Enter any other deductions to income for the partnership that are deductible in the partner's federal income but are not reflected in lines 9 through 17 above (attach schedule).

#### **INSTRUCTIONS FOR NEBRASKA SCHEDULE III Nonresident or Corporate Partner's Share of Nebraska Income and Deductions**

A Nebraska Schedule III must be completed when a partnership has income derived from or attributable to sources within Nebraska, and has nonresident or corporate partners. A nonresident partner may be a corporation which must file a corporate return if any partnership income is from Nebraska sources, but such corporation is not subject to Form 12N or Form 14N filings.

Enter the name, address, and social security number or Nebraska identification number of each nonresident or corporate partner. If additional space is needed, attach a schedule using the same format as Nebraska Schedule III.

**The lower half of this schedule is completed for nonresident individual partners only.**

**COLUMN B.** Determine the individual partner's share of income by adding any guaranteed payments received by the partner to the partner's share of other income. Divide this amount by the amount listed on line 5 of Form 1065N and express as a percent in column B.

**COLUMN D.** If a signed Nebraska Nonresident Income Tax Agreement, Form 12N, is attached, do not complete columns E and G.

**COLUMN E.** Enter the nonresident individual partner's distributive share of Nebraska income reported by the partnership. This amount is determined by multiplying column B by column C.

**COLUMN G.** Enter 6.68 percent of column E. This is the amount of Nebraska income tax to be withheld for each nonresident individual partner who did not complete Form 12N. Report the amount withheld from each nonresident partner on a Statement of Nebraska Income Tax Withheld for Nonresident Individual, Form 14N. **The total of column G must equal the amount entered on line 11, Form 1065N.**